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C O N F I D E N T I A L SECTION 01 OF 04 NEW DELHI 009592

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SUBJECT: GOI'S TAKE ON CHINA'S ROLE IN DEVELOPING THE  
SHANGHAI COOPERATION ORGANIZATION (SCO) (C-AL5-00794)

REF: TASHKENT 3347

Classified By: PolCouns Geoff Pyatt for Reasons 1.4 (B, D)

¶1. (C) Summary: In a December 16 meeting on India's relationship with Central Asia and the Shanghai Cooperation Organization (SCO), MEA J/S Jaimini Bhagwati (Eurasia) suggested that India and the US should look for opportunities to advance our shared interests in the region. Bhagwati speculated that China advocates the SCO in order to keep the US out of Central Asia. The GOI is uncomfortable with Chinese demographic pressure, the Russian political legacy and Pakistani influence on Islam in the area, and would prefer to have a democratic Central Asia with strong civil society and transparent economic institutions. The GOI wants to play a greater role in energy cooperation, business and counterterrorism efforts in Central Asia, but compared to China and Russia, India "doesn't know how to work the system." As a result, New Delhi is "groping about how to secure its vital interests there," and is "happy to work with the US in a transparent matter" on these issues, Bhagwati concluded. End Summary.

China Eyes Economic and Demographic Opportunities

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¶2. (C) MEA Joint Secretary for Eurasia Jaimini Bhagwati emphasized in a December 16 meeting with PolCouns and PolOff that China is looking to Central Asia for opportunities for economic and demographic growth, and uses the SCO to keep the US out of the region. With China's huge population, Bhagwati assessed that the Chinese government is eyeing the vast and largely empty Central Asian landscape for growing room. He brought up the example of Kazakhstan, which is 85 percent the size of India but has only 12 million people compared to India's over one billion. Chinese workers are coming across the borders to sell cheap goods, Bhagwati continued, and soon they'll "bring the whole kitchen sink." He suggested that China was much more comfortable with Central Asian rulers than the US, and was willing to work with these leaders through the SCO to minimize US influence in the region. As an Observer to the SCO, India was not privy to the talks on the timeline for the US to leave its Central Asian bases. However, he commented that Kyrgyzstan has a financial incentive to continue allowing an American presence while Uzbekistan's leader is "cozying up to Russia."

#### Russia Looks for Energy Resources

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¶3. (C) Bhagwati argued that Russia's interest in the area revolves around the continued need for access to energy resources. He pointed out that the increase in oil prices and Putin's centralization of power have dramatically

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improved Moscow's profile in Central Asia. Russia has developed its human resources in the west and its energy sources in the east, Bhagwati explained, and has realized that it is imperative to maintain control of its eastern hydrocarbons even while eyeing Central Asian reserves. Like China, Russia is insecure about losing influence on its southern border, especially to the United States.

#### How Can India Work with These Leaders?

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¶4. (C) Bhagwati lamented that India has been unsuccessful navigating the corruption, lack of democracy and competing influences in Central Asia because the GOI "doesn't know how to work the system" like the Russian and Chinese do. India's economic interests in the area include energy, biotechnology and pharmaceuticals, but despite the relatively short distances, there is a huge lack of effective transport linkages. He noted that the Indian capital is about a 4 hour flight from most Central Asian capitals, which is a similar flight time from New Delhi to its southern city of Chennai. With Pakistan and China blocking access to the region, overland trade is not economically viable. He remarked that the North-South Corridor through Iran and Afghanistan would not be enough to overcome the financial constraints to business, and India is wary of closer trilateral cooperation, especially with China. India's best prospects lie in services and commodities like pharmaceuticals that can be easily transported by air. Bhagwati complained that Indian companies, with their auditors and public shareholders, do not have the resources or the leeway to offer large bribes to win business deals, nor the networks to beat out the Chinese on energy bids. As a result, the GOI would prefer democratic systems with transparent financial institutions and judicial oversight, but does not really know where to start.

¶5. (C) Bhagwati stressed that another of India's primary concerns in Central Asia is the growth of Islamic extremism, and argued that democracy in the region would decrease this threat. Calling the region's relative inequality, poverty and growing religious sentiment the "ingredients of an explosive cocktail," Bhagwati said the GOI is especially concerned about the Islamic Movement of Uzbekistan. An Indian professor working under the GOI's funded "Fulbright-type"

program at the University of Osh from Kyrgyzstan has warned New Delhi of the change from a "relaxed" type of Islam to an increasingly "intolerant" form.

#### India's Closest Ties in Central Asia

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¶6. (C) When asked about the GOI's closest partners in Central Asia, Bhagwati responded that India is culturally most similar to Uzbekistan, but economically connected to

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Khazakhstan and militarily linked to Tajikistan. The Kashmir region shares Uzbekistan's cultural heritage, but Bhagwati did not see much room for growth in that relationship (Ref A). In terms of economics, India has the most ties with Khazakhstan, which benefits from abundant energy reserves. Nevertheless, transportation obstacles hamper energy deals and Indians describe business in Khazakhstan as "a hassle." Speaking for the first time on India's military outpost in Tajikistan, Bhagwati (strictly protect) reported that India has helped restore, and is now running a small Russian base in Aini. After the bombing of the Indian parliament in 2001, the GOI went looking for an alternate location west of Pakistan, and found the opportunity to do civil reconstruction work on a Russian base. While the base offered a good "listening post," Bhagwati observed that New Delhi only has enough resources to maintain a small presence there. However, he maintained that it is a "good learning opportunity for the armed forces" who are serving in India's "first overseas base experience." Asked about the possible Turkmenistan/Afghan pipeline, Bhagwati reiterated that the GOI remains deeply skeptical about whether the Turkmen have gas to sell.

#### Indo-US Cooperation in Central Asia

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¶7. (C) Although India faces certain political "constraints," Bhagwati was open to ideas for Indo-US initiatives in Central Asia that would build on the July 2005 US-India Democracy Initiative. He commented that India and the US have a "natural" overlap of interests in the region, but questioned how Pakistan and China would react to any effort. He noted that the GOI's main conduit for training in Central Asia is through its Indian Technical and Economic Cooperation (ITEC) program, which provides primarily technical assistance and a monthly stipend to Central Asians students in New Delhi. Bhagwati warned that when Indian "initiatives reach beyond English training, Central Asian leaders become uncomfortable." He also cautioned to avoid using the term "democracy promotion" in any joint initiatives because of the suspicions that have emerged after the recent "color revolutions." However, given the current "vacuum of leadership, ideas and system," India wants to be part of the movement to shape the future of the region.

Comment: Opportunity Ripe for a POTUS Deliverable

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¶8. (C) Bhagwati, who spent several stints away from the MEA working for the World Bank in Washington, represents a new wave of GOI thinking on Central Asia. Instead of an old Soviet-phile, Russian speaking bureaucrat, Bhagwati is relatively young, economically oriented, and open to new ideas. While we have to be sensitive to GOI fears on raising

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third-country suspicions about democracy promotion, we have an opportunity to find a way to expand Indo-US consultations and shared interests to a new region. In light of the upcoming South and Central Asian Bureau reorganization, the timing couldn't be better to consider a joint initiative, perhaps tied to the President's India visit.

19. (U) Visit New Delhi's Classified Website:  
(<http://www.state.sgov.gov/p/sa/newdelhi/>)  
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